

Issues & Answers



August 2022

In This Issue

- Page 1** President's Message
- Page 3** ABA Column
Industry News
- Page 4** Advocacy Corner
Events Calendar
- Page 5** Upcoming WBA Events
- Page 6** 2022 Convention Recap
- Page 7** WBA Welcomes New Board Chair, Officers, Director
- Page 10** CSBS Names New President & CEO
SWOT-ing the Crisscrossing Crypto Crackdown
- Page 11** Three Things to Help Make Cards Top-of-Wallet
- Page 12** The Impact of Delaying Overdraft Evaluation

The Value of Information



By Glen Simecek, President and CEO, Washington Bankers Association

In modern warfare, the battle's outcome is often determined by which side has the best information. World War II, for instance, may have

raged longer or even seen a different result if British scientists working at Bletchley Park hadn't invented the world's first computer to break the German Enigma code or if US codebreakers had not deciphered Japanese codes to turn the tide in the Pacific, beginning at the Battle of Midway.

The value of good intel is every bit as important in the business world, especially when trying to plot a course through the challenging economic conditions we are experiencing today.

That's one reason our 2022 Convention was so valuable to attendees. Held last month in conjunction with our partners at the Idaho, Nevada, and Oregon Bankers Associations, the Convention provided a timely look at what bankers can

expect over the coming years.

We received industry updates from the leaders of both the American Bankers Association and the Independent Community Bankers Association. A futurist described how new technological breakthroughs are touching every corner of business and society. And we heard from political pundits and economists about their views of the upcoming election and beyond.

One observation that struck a chord came from Mark Calabria. He was chief economist for Vice President Mike Pence before leading the Federal Housing Finance Agency and now serves as a senior advisor at the Cato Institute. Among his many insights on service inside the Beltway, he strongly reinforced a message that WBA members have recognized for some time, namely that the two worlds of politics and the economy are not, in fact, separate arenas but are so closely intertwined that they are more like two sides of the same coin.

In mid-term elections, the party in the White House almost always loses seats in Congress.

Continued on page 2



Issues & Answers – August 2022

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Financial Northwest Bank

Secretary/Treasurer: Brent Beardall,
President & CEO, WaFd Bank

Education Committee Chair: Matt
Deines, President & CEO, First
Federal

WBA PROS Chair: Eric Pearson,
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Bank

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Credit Officer, KeyBank

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North Cascades Bank

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On the Cover

Locals and visitors flock to Diablo Lake in the summer months for
a view of the crisp green waters, as seen here from Hwy 20.

Photo courtesy of Flickr by Amit Patel.

Continued from page 1

Today, pandemic fatigue and soaring inflation rates are wearing on the American public, and polls show that most voters feel the country is headed in the wrong direction. As a result, November's elections present Republicans with an opportunity to regain control of one or both Congressional chambers. Most pundits believe they will take back the House while considering the Senate majority a bit more of a toss-up.

Despite the Democrats controlling both House and Senate, slim majorities have slowed congressional action. Fast-forward to a 2023 environment with a Democrat in the White House and Republicans holding one or both chambers of Congress, and the sense of gridlock is likely to become even more pronounced.

As a result, bankers shouldn't expect any significant legislative initiatives from our nation's capital. Instead, action will likely shift to two other areas: regulatory agencies and our state capitals. Regulators may move quickly to enact their agendas before a divided Congress questions their authority to take action on various issues.

Meanwhile, state legislatures are likely to see the lack of new laws emanating from D.C. as a gap that they must act to fill. Even if multiple states take similar approaches on an issue, their bill language and the resulting requirements imposed on banks are seldom, if ever, consistent. This can be a significant problem, especially for banks operating in more than one state.

This scenario underscores something else WBA members know all too well; it remains vitally important for us to engage effectively at all levels of government and with both elected and appointed officials. I appreciate the support and expertise that our member banks contribute to our advocacy efforts, and we will remain vigilant on your behalf.

Fortunately, as our Convention demonstrated, we have a vibrant and energetic industry to tap into these efforts. More than 400 people attended the convention, with nearly 300 bankers, and the energy in the sessions, social functions, and hallways was palpable. After several virtual Conventions, everyone was happy to be back together, enjoying a beautiful setting and each other's company. Existing contacts and friendships were renewed, and new ones were made.

We plan to carry that energy into our fall Legislative Roundtables, which will be held in person for the first time since 2019. Between September 7 and September 22, we will hold seven legislative roundtables at venues around the state. These sessions are a great way to recap the 2022 session and look forward to 2023, but also to build stronger relationships with local lawmakers and discuss emerging issues. A list of dates and locations is available on page 4 of this month's issue. Later that month, from September 26-28, a delegation of WBA bankers will travel to "the other Washington" to meet with our Congressional delegation and key federal regulators.

Like the convention, these advocacy events are opportunities to gather valuable intelligence on the issues that will impact your bank and your customers. I urge you to take advantage of them.

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No Deal: States Slam on Breaks for Credit Union Acquisitions of Community Banks



*By Rob Nichols, President & CEO,
American Bankers Association*

It would have been the largest acquisition of a community bank by a credit union—but word came in mid-June that the deal was off between VyStar Credit Union and Heritage Southeast Bancorporation, after a failure to receive regulatory approvals. If completed, the

deal would have made Jacksonville, Florida-based VyStar the 13th largest credit union in the nation.

The deal was just one of a growing list of mergers that have been announced between tax-exempt credit unions and taxpaying banks in recent months—but states are starting to sour on the idea.

Earlier this year, the Minnesota Department of Commerce blocked the acquisition of state-chartered Lake Area Bank by Royal Credit Union, officially clarifying that state law does not permit the acquisitions of state-chartered banks by credit unions. Similar actions have taken place in Colorado, Iowa, Tennessee and Nebraska.

Meanwhile, the Mississippi state legislature succeeded in passing a law stipulating that only FDIC-insured banks can acquire or merge with Mississippi-chartered state banks. The law, which goes into effect this July, puts a halt to any deals in progress that don't comply with the new requirement.

These are encouraging developments.

The decision to merge is, of course, a business decision that must be made at the individual level. But states are increasingly acknowledging that allowing tax-exempt credit unions to gobble up taxpaying banks—taking them off the tax rolls for good—is poor public policy that imposes costs on consumers and taxpayers, and they're taking sensible steps to prevent it from happening in the future.

The fact that states are beginning to take action is due in no small part to banker advocacy—and it's a good reminder of the importance of speaking up whenever we see the credit union industry pushing the boundaries of the statutory limits imposed on it by Congress.

Unfortunately, those attempts are only becoming more brazen.

Recently, the industry lobbied to create a new loophole designed to enable credit unions to greatly expand their fields of membership and business lending capacity. The House bill, which we don't expect to advance in the Senate, was included as part of a broader package of financial inclusion measures, despite the fact that the bill contained no language to ensure that these expanded powers would be used by credit unions to serve underserved communities.

If credit unions were serious about promoting financial inclusion, they should welcome the opportunity to demonstrate their commitment to serving low- to moderate-income communities by meeting the same Community Reinvestment Act requirements banks must meet. But it's become clear that credit unions aren't interested in that mission—in fact, recent data has shown a general pattern of credit unions opening more branches on net in upper- and middle-income census tracts and closing more branches on net in low- to moderate-income census tracts.

It's wrong for credit unions to try and shoehorn self-serving pieces of legislation through Congress under the guise of promoting financial inclusion—just as it's wrong for them to exploit their tax advantaged status to subsidize acquisitions of taxpaying banks, pay for stadium naming rights or private jets, or open multi-million dollar headquarters.

It's encouraging that states are starting to scrutinize the credit union industry more closely. Now Congress must do the same.

Industry News

New Hires

Camie Tat
Vice President and Credit Administrator at Liberty Bank

Erica Slatt
Small Business Administration Manager at Washington Trust Bank

Chelsie Calara
Professional Banker at Liberty Bank

Michelle Littleton
Mortgage Loan Officer at Washington Trust Bank

Stephanie Baer
Senior Bank Secrecy Act Analyst at Shield Compliance

Adam Lervik
Senior Vice President, Director of Commercial Banking at First Fed Bank

Promotions

Jason Naylor
First Vice President and Director of Treasury Management at First Fed Bank

Amanda Scoby
Senior Vice President, Chief Risk Officer at Peoples Bank

Nate Walley
Real Estate Loan Center Manager for Skagit and Island Counties at Peoples Bank

Kari Kennedy
Assistant Real Estate Loan Center Manager for Skagit and Island Counties at Peoples Bank

Tiffany Blair
Small Business Lending Manager at Peoples Bank

Have Industry News to share with WBA? Email megan@wabankers.com or call (206) 344-3472.

WBA Hosts Fundraisers for Two Local Candidates

This summer, the WBA and the Community Bankers of Washington, and the insurance industry hosted two fundraisers for local candidates running for the Washington House of Representatives.

In late June, the WBA, CBW, and HomeStreet Bank hosted an event for Carmen Goers, running for the open seat in the 47th District in Kent. Goers, a longtime banker, is running for the first time.

In mid-July, the WBA and insurance industry, hosted by WaFd Bank, hosted another event, this time for Kristine Reeves, also running for an open House seat in the 30th District. Reeves is a former lawmaker who left to run for Congress and is a former member of the Consumer Protection & Business Committee, which hears banking issues.

Thank you to all the bankers who attended these events and for supporting local candidates.

To learn more about how to get involved with WBA Advocacy, please get in touch with Megan Managan at megan@wabankers.com.



Registration Now Open for 2022 Legislative Roundtables

In September, the WBA will again be hosting our Legislative Roundtables in person at locations around the state.

During each event, WBA's Advocacy team, including lobbyists Trent House and Carrie Tellefson, will review the 2022 legislative session, look ahead to what's in store for 2023, the election, and spotlight local issues of interest.

Following the legislative briefing, local lawmakers will join the group for a luncheon, where bankers are encouraged to share what they are working on and trends in the community and learn more about getting involved with WBA's advocacy work.

Each event begins at 10:45 a.m. with lunch at noon and will adjourn by 1:30 p.m.

This year, to help with rising costs, each lunch is \$35 per banker.



2022 Legislative Roundtable Schedule

September 7 – Tacoma, *Heritage Bank Ops Center*
September 8 – Bellevue, *Westin Bellevue*
September 12 – Spokane, *Washington Trust Bank*
September 13 – Kennewick, *SpringHill Suites*
September 20 – Vancouver, *Vancouver Hilton*
September 21 – Mt. Vernon, *Skagit Valley Convention Center*
September 22 – Seattle, *Washington Athletic Club*

To learn more or to register for a Roundtable, please contact Megan Mangan at megan@wabankers.com.

Events Calendar

August 23 – FDIC Community Bankers Workshop
September 15 – Virtual Credit Analyst Development Program
September 26 – Bank Trainers Conference; Dallas
October 12 – Retail Branch Manager Development Program

October 25 – Emerging Leaders & Executive Series, Historic Davenport Hotel, Spokane
October 27 – Emerging Leaders & Executive Series, Cedarbrook Lodge, Seattle
October 28 – Women in Banking Conference, Seattle Renaissance Hotel
January 25 – NUARI Virtual Cyber Tabletop Exercise

To register or to learn more about any of the listed events, please visit www.wabankers.com/calendar.

Make Plans for Autumn WBA Conferences and Development Programs

If you want to expand your professional development this fall, consider attending an upcoming WBA event.

On August 23, WBA will host the **FDIC's Community Banker Workshop**; a one-day event focused on helping executives and their teams stay on top of the latest issues in the industry.

The event will be held at the Washington Athletic Club in Seattle, focusing on cybersecurity, technology innovations, and lessons learned from the pandemic. The FDIC's Division of Insurance and Research will also include a local economic update.

Registration is also open for this fall's **Virtual Credit Analyst Development Program** beginning in September and the **Retail Branch Manager Development Program** in October.

Also, in September, WBA is co-sponsoring the OnCourse Learning and Center for Financial Training **Bank Trainers Conference and Expo** in Dallas, Texas. The event, held September 26-28, focuses on everything bank trainers need to know about the current environment. The event brings together trainers from financial institutions across the country.

Attendees will be given a scenario and guided through the exercise while testing their procedure and protocols in real-time. The training is designed to help institutions gain valuable insight into their processes and test planned responses.

Also, in October, the WBA's Emerging Leaders Committee is hosting its first **Emerging Leaders & Executive Series**, featuring a conversation with Bledsoe about his career, leadership, and what you can learn from his journey, blazing a trail into a new career and industry.

Join us on October 25 in Spokane at the Historic Davenport Hotel or on October 27 at Cedarbrook Lodge in Seattle from 4-7 p.m. for networking, wine, and a chance to learn from Bledsoe.

The **2022 Women in Banking Conference** will be held on October 28 at the Seattle Renaissance Hotel in downtown Seattle. Lisa Fain, CEO of the Center for Mentoring Excellence, will keynote the event with an interactive session on ways to build inclusive mentoring programs. The agenda includes a closing session with Sherry Winn, a two-time Olympian, basketball coach, and author, on how to unleash your inner winner.

WBA's newest program, a **virtual cybersecurity tabletop exercise** run by NUARI, a nationally recognized leader in cybersecurity, has been moved to January 25, 2023. The event is open to any financial institution doing business in Washington state and includes unlimited virtual registration.

Please visit the WBA website at www.wabankers.com for more information about registration for our upcoming programs.

An Evening With

DREW BLEDSOE

Emerging Leaders & Executive Series



October 25 • Historic Davenport Hotel, Spokane
October 27 • Cedarbrook Lodge, Seattle
4 p.m. to 7 p.m.



Join us for a special event featuring former NFL quarterback and winemaker Drew Bledsoe for a conversation about leadership, overcoming obstacles, and what business leaders can learn from sports.

Sponsored By **FERGUSON
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2022 Convention Boasts Record Attendance from 4 States

For the first time since 2019, the WBA hosted its annual Convention in person in July at the Coeur d'Alene Resort, bringing together bankers from Idaho, Nevada, Oregon, and Washington.

The quad-state event boasted record attendance, with over 400 people from the financial services industry gathering on the shores of Lake Coeur d'Alene.

The event kicked off on Monday, July 11, with a welcome reception in the exhibit hall, where bankers had the opportunity to learn about the newest innovations and products in the industry.

Convention officially started on Tuesday, July 12, with a performance by the Lake City Highland Dance Studio showcasing their highland dance skills. After the dancers, George Chanos, author, and futurist, shared how humanity will continue to see rapid change thanks to constant changes in technology and artificial intelligence.

Howard Headlee, president of the Utah Bankers Association, provided the group with information about the new Society of Bank Executives, which was created to help executives in the banking industry build their networks. The Society officially begins next year, but bankers who join this year will be considered charter members and have access to sessions on leadership this fall.

ICBA President Rebeca Romero Rainey and Zions Bank President & CEO Scott Anderson, the current ABA Chair, provided updates from Washington D.C., including the regulatory and Congressional policy issues the industry should be watching and weighing in on. These included the updated FDIC assessment fees, CRA reform, and SAFE Banking.

Before the lunch break, Joan Woodward, president of Travelers Institute, hosted Woodward on Washington: An Economic, Public Policy and Political Outlook, highlighting how all three are playing together as we enter the height of election season.

Geoff Gray, principal and founder of Gray Company, closed out the morning with a fireside chat with Gordon Zimmerman, president and CEO of Citizens Bank in Oregon. The two discussed the current state of politics in Washington D.C., the election outcomes, and how the current climate impacts the banking industry.

After lunch, attendees choose between two breakout sessions. The first was hosted by Colleen Rozillis, partner at Moss Adams, on ESG investing and why sustainable investment strategies are on the rise. Kenneth Goodwin, director of regulatory and institution affairs and Blockchain Intelligence Group, hosted the second session with an update on blockchain.

To close out the first day, WBA President and CEO Glen Simecek hosted a discussion with Mark Calabria,



currently a senior advisor at Cato Institute and former director of FHFA. They discussed working in the

Continued on page 7

WBA Welcomes New Board Chair, Officers, and Director

During the 2022 Convention, the WBA hosted its annual meeting, officially welcoming the new board officers and chair.

Attendees favorably voted for a two-year term for the following officers:

- **Chair:** Mark Mason, Chairman, President and CEO, HomeStreet Bank
- **Secretary/Treasurer:** Brent Beardall, President, and CEO, WaFd Bank
- **Immediate Past Chair & ABA Community Bank Council Representative:** Joe Kiley, President & CEO, First Financial Northwest Bank

- **WBA Education Committee Chair:** Matt Deines, President & CEO, First Fed Bank
- **Government Relations Committee Chair:** Bryan McDonald, President & COO, Heritage Bank
- **WBA PROS Chair:** Eric Pearson, President & CEO, Community First Bank

The WBA also welcomed Charlie Guildner, president and CEO of North Cascades Bank, as the newest director to join the board.

During the meeting, the WBA thanked and celebrated Ken Johnson, who recently retired from Banner Bank and was the outgoing PROS Chair.

Continued from page 6

Trump Administration, how the current economic climate impacts housing, and what lies ahead in Washington D.C.

That evening, attendees enjoyed a cruise across the lake on the Mish-An-Noch, followed by a dinner at the Hagadone Events Center, featuring yard games and live music.

On Wednesday, July 13, the morning began with the WBA's Annual Meeting, featuring an update from FDIC Regional Director Kathy Moe. WBA lobbyist Trent House also provided a legislative

update to the group. WBA officially welcomed its new board chair, Mark Mason, president and CEO of HomeStreet Bank, while saying a heartfelt thank you to outgoing chair Joe Kiley, president and CEO of First Financial Northwest Bank. Ken Johnson, executive vice president at Banner Bank, the outgoing PROS chair, was also recognized.

During the final general session, Eric Snodgrass, principal atmospheric scientist at Nutrien Ag Solutions, discussed how changing weather conditions across the country and in the Western U.S. would continue to impact agricul-

ture clients and, in turn, the banking industry.

The general session closed with another fireside chat, this time with HomeStreet's Mark Mason hosting a discussion with Carmen Best, former Chief of Police in Seattle. They discussed her tenure with the City, what happened during the infamous CHOP Zone time in downtown Seattle, and her journey to becoming chief of police.

Attendees spent the final afternoon playing the golf tournament or enjoying the Trifecta Tour, featuring local craft distillery, beer, and wine tastings.





Baker Boyer Bank employees from the Tri-Cities sorted potatoes during a volunteering event at Second Harvest.



Coastal Community Bank Supports Local Artists

Coastal Community Bank's Camano Island and Stanwood branches participated in this year's Camano Island Studio tour, which celebrates local artists.

As part of the tour, the group visited pottery, glass, and art studios to learn about the local work artists in the community are doing.



HomeStreet Donates \$500,000 to Local Non-Profits

Through the first half of 2022, HomeStreet Bank announced that it had donated \$500,000 to local community nonprofits this summer.

The bank has donated to various partners, including many employees volunteering their time.



Commencement Bank Donates to Catherine Place

During Make A Difference Monday, Commencement Bank donated to Catherine Place.

The organization works to improve the quality of life for women and is committed to addressing the needs of those who are materially poor, in transition, or facing daily challenges associated with poverty, loss, violence, immigration, and illness.



WaFd Bank Volunteers at United Way of Pierce County

The WaFd Bank team members spent a day volunteering with United Way of Pierce County.

The team helped assemble snack packs as part of Day of Action. The bags were donated at meal sites throughout Pierce County this summer.



Olympia Federal Celebrates Culture Days in Yelm

Olympia Federal Savings team members participated in the annual Culture Day celebration in Yelm this summer.

Members of the team took part in the Prairie Days Parade.



Mountain Pacific Bank Hosts Shred Event

Earlier this summer, the Mountain Pacific Bank team in Burlington hosted a shred event for the community.

The event started with cars lined up before it started and continued non-stop for several hours.

Saving Pets One at a Time was onsite and supported the event, and donations benefited the organization, which helped get kittens and puppies adopted.

1st Security Bank of Washington Supports Habitat for Humanity of Kitsap County

1st Security Bank of Washington announced a donation of \$5,000 earlier this summer to Habitat for Humanity of Kitsap County.

The donation will allow the organization to continue strengthening the community and individuals through affordable home ownership.



Washington Trust Bank Sponsors Marysville Strawberry Festival

Washington Trust Bank sponsored this year's Marysville Strawberry Festival, held in June.

Members of the Crew in Blue attended and volunteered, spread joy with random acts of awesome, and participated with mascot W.T. Banks in the annual parade.

U.S. Bank Launches Goals Coaching Program in Seattle

U.S. Bank announced in late June that it was expanding its goals coaching program to Seattle, offering customers and non-customers with free one-on-one goals coaching sessions.

Goals coaches are U.S. Bank employees trained in behavioral science and goal achievement to help people explore life goals,

prioritize on a digital timeline and create a plan for achieving those goals.

The program was first launched in Las Vegas two years ago, and in Seattle, the bank is partnering with the Seattle Metro Chamber of Commerce and United Negro College Fund for the initial roll-out.

In Seattle, three designated goals coaches are helping people bring their goals to life. The local team includes Marlie Love, who has worked as a life coach with a focus on positive psychology since 2016; Tamra Clark Champion, who had a two-decade career in communications and organizational change; and Tiffany Fritchman, who previously served as a performance coach at U.S. Bank where she helped frontline bankers develop skills and career paths.

"Our goals coaches provide a safe space for people to share and explore how to turn their passions or dreams into an action plan," said Champion. "Whether you have always wanted to start a business, wish to be debt free, or want to restart your career, our goals coaches can help you identify your goals and create a roadmap to achieve them – all with 1:1 support along the way."

Through the partnership with the Seattle Chapter of the United Negro College Fund, the program provided goals coaching to more than 60 participants working on their spring portfolio project. This program reaches juniors and seniors in high school across Washington and Oregon.



Coastal Community Bank Participates in June Community Events

In June, Coastal Community Bank participated in several community events.

Volunteers participated in the annual Stanwood Camano Island Soap Box Derby, Monroe Pride event, Arlington Show and Shine, and during several Chamber golf tournaments.



PNC Bank Sponsors Kids Run the Bases at Seattle Mariners

During the recent Seattle Mariners homestand against the Toronto Bluejays, Seattle PNC Bank team members participated in several events.

Regional President Laura MacNeil threw out the first pitch, and as the sponsor of Kids Run the Bases, the bank welcomed

CSBS Board of Directors Names James M. Cooper President and CEO

The Conference of State Bank Supervisors Board of Directors has announced the appointment of James M. Cooper as president and CEO. Cooper had served as acting president and CEO after the sudden death of CSBS leader John W. Ryan on May 16.

Cooper's appointment follows a nine-year tenure at CSBS, during which he directed policy and supervision as senior vice president and more recently as executive vice president. Before joining CSBS, Cooper was deputy director at the Indiana Department of Financial

Institutions from 1994 to 2013.

"As a long-time leader at CSBS and architect of important legislative and regulatory initiatives, Jim is singularly qualified to serve as CEO," said Tom Fite, CSBS Board chair and director of the Indiana Department of Financial Institutions. "Under Jim's leadership, CSBS and its members will continue to advance state regulation and work towards the vision of a more networked system."

"I am honored by this appointment and excited to lead the CSBS staff during a time when financial services regulation is at the center of great change and opportunity," said Cooper. "We are committed to delivering on the vision set by our former CEO, John Ryan, to help unify and streamline the state system through our policy, technology and training platform."

SWOT-ing at The Crisscrossing Crypto Crackdown

By Theodore Kelly, Associate General Counsel, Compliance Alliance

In the 14 years since blockchain technology's invention, banks have been left to compete with emerging business models and new stores of value, while operating in an uncertain vacuum of regulatory guidance. The resulting whiplash of lightning-fast innovation seemingly incapacitated the U.S. regulators of currencies, commodities, and securities.

With only crisscrossing guidance offered thus far, it may seem impossible to make a risk-based decision on whether, and to what extent, a bank should adopt blockchain technology, including cryptocurrency and web3. However, using the tried-and-true SWOT analysis, banks can establish a baseline with which to evaluate the impact the crisscrossing crypto crackdown will have on their internal and external environment.

First, a refresher on the more recent commentary and actions by banking regulators. We know that Basel will be releasing a second consultation later this year with an eye on a "global minimum prudential framework" to address risks associated with crypto assets. Their first consultation offered a risk-weighting methodology.

The U.S. Office of the Comptroller of the Currency (OCC) confirmed in July 2020 that national banks could offer crypto custodial services. However, Acting Comptroller Chu recently publicly remarked that it is time to 'reset and recalibrate'. The Federal Reserve Board (FRB) hasn't released much guidance other than to say they will be releasing guidance. The FRB did examine the pros and cons of a Central Bank Digital Currency (CBDC) but "does not favor any policy outcome." And, the U.S. Treasury has offered a risk assessment of money laundering risks in the crypto asset space. The FDIC joined the OCC and FRB in their "Crypto-Asset Policy Sprint" statement but has offered little else outside of requiring banks to notify the FDIC prior to engaging in crypto-related activities. The CFPB broadened its own enforcement authority in this space last year, for-

malized in March by Executive Order. FinCEN And finally, legislation introduced in early June appears ready to assign rulemaking and enforcement authority to the Commodity Futures Trading Commission (CFTC), leaving the Securities Exchange Commission (SEC) any leftover crypto assets that are classified as securities.

It can be difficult to understand and analyze the risks associated with crypto assets if you don't have a grasp on some foundational terminology. Unfortunately, there's a lot of so-called 'gatekeeping' in the 'crypto community' – e.g., folks who use overly-complicated lingo to seem more tech savvy than others. So, here are a few layperson examples to help understand the basic terms and concepts.

What is blockchain?

Have you ever worked on a document at the same time as another person or team? You can see others' initials moving about on the page followed by their edits to the collaborative document. And the revision history is saved so everyone can see who made what changes. Well, this is a great analogy for 'distributed ledger technology' (DLT). But the key difference between DLT and blockchain is that there is no single authority that maintains the data (e.g. OneDrive, Google, AWS). With blockchain, there is no centralized authority holding the data, and the data is not valid unless 'approved' by a program that runs on many different devices around the world.

What is a crypto asset?

Crypto assets are much like your everyday tangible assets: cash, contracts, artwork, investments, information, etc. However, crypto assets are entirely digital. Here, everyone knows that your unique address (known as a wallet address) owns those assets because of the transaction information stored on the blockchain. A dollar bill may be compared to a Bitcoin. A contract may be compared to a 'Smart Con-

Continued on page 13

WBA Endorsed Vendor: Vericast

Three Things to Help Make Cards Top-of-Wallet

By Josh Hatcher, Vericast

There's a lot to consider when creating a gift, debit or credit card program. How a card looks and feels, changing industry regulations, emerging trends and new technologies all must be considered. Achieving top-of-wallet status can be challenging.

As a custom card designer at Vericast, I have created thousands of custom cards for hundreds of clients with millions of cards in circulation in nearly every state. With more than two decades of experience designing custom cards for financial institutions, here are the top three key things to consider that can help make cards top-of-wallet.

Card Design – Card design is essential in maintaining top-of-wallet status. An attractive card design is eye-catching and builds a favorable impression of a business. Consumers like to use cards that look unique and show prestige, and a great-looking custom-designed card is used more often. Cards with vibrant colors and embellishments such as metallic inks and matte finishes can make a card stand out.

Card Material – A card's material is just as important as its design and can leave a positive impression of your brand. A variety of card materials like metal and color core cards are available. Recovered ocean-bound plastic cards are an important consideration as they can be a reputation differentiator. In a recent consumer survey, 73% of respondents said that it is important that their financial institution is environmentally conscious while more than half are willing to switch to another financial institution if it offered such cards. It is estimated that for every one million payment cards produced with recovered ocean-bound plastic, more than one ton of plastic will be diverted from entering the world's oceans, waterways and shorelines. Not only are ocean-bound plastic cards environmentally friendly, they're also compatible with EMV® and contactless payment technologies.

Instant Issuance – Consumers expect convenience and a hassle-free experience. Giving customers



instant access to activate cards at the branch is a game-changer. With print-on-demand in-branch card issuance, a customer can receive their card on-the-spot instead of waiting several days to receive via traditional mailing. This helps you deliver a better-in branch experience, increase customer satisfaction, and decrease fulfillment operational costs. Because 47% of cards are used within eight hours, instant card issuance can help increase card transactions, activation and usage.

Vericast can design, manufacture, and distribute custom credit, debit and gift cards for your institution. It is also a one-stop shop for central issuance and instant issuance.



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The Impact of Delaying Overdraft Evaluation: Overcome Obstacles with Proven Resources

By John Cohron, Chief Executive Officer, JMFA

Is your overdraft program taking a backseat?

Like many Americans, community banks continue to face challenges related to a lack of time, money and/or the personnel to get things done. One thing that can get overlooked along the way—but shouldn't—is your overdraft program. While you may not notice any issues on the surface, all aspects of it need to be periodically evaluated to make sure it's adhering to regulatory guidelines, industry best practices and consumer expectations. If your program has been stuck on the backburner, you not only risk having lackluster service and results, but you also leave your bank open to regulatory scrutiny, litigation and more.

So much to do, so little time—and resources

Your staff members have a lot vying for their attention these days. Your team may be facing:

- Too many projects

A lengthy list of exciting strategic initiatives, including the rush to digital transformation brought on by the pandemic, can take up valuable time, pushing important but less-exciting tasks like your overdraft program to the side. Does evaluating your overdraft strategy seem more complicated given recent market shifts and regulatory uncertainty?

- Inadvertent neglect

Evaluating your overdraft strategy may have fallen off the radar completely in the midst of time and budget constraints. Regardless of how much revenue your program currently provides, it's critical to take the time to understand how it is used by your account holders. There are too many risks associated with maintaining the status quo. Do you need help with deciphering the value of your program to preserve needed revenue?

- Shortage of workers

During the Great Resignation of 2021, droves of workers quit their jobs, for a variety of reasons. Community banks were not immune, with human resource officers frustrated at candidates missing scheduled interviews or, even worse, the first day on the job. Is your team overworked and thus unable to get to every task on their plate?

- Knowledge gap due to workforce turnover

The impact of the workforce changes brought on by the pandemic continues to put a strain on the delivery of services in all business sectors. The latest statistics from the U.S. Labor Department Job Openings and Labor Turnover Report indicated a record 11.5 million job openings in March. As turnover rates remain historically high, workers may be especially hard to retain, leaving

gaps in knowledge of how to communicate program details properly and consistently to your account holders. Has your staff fallen behind on new-hire and refresher training to ensure your account holders are knowledgeable about how your overdraft program works?

If you answered “yes” to any of the above questions, it's crucial to move program evaluation to the top of your priority list.

Risks of overlooking your overdraft strategy

Accepting the status quo can lead to processes and procedures becoming stale. This opens your bank up to vulnerabilities, such as:

- Potential regulatory exam issues
- Additional risk for class-action lawsuits
- Confusion or lack of understanding among account holders
- Account holders going elsewhere to have their needs met

As the focus and attention on overdraft programs increases, it's essential to perform a periodic, top-to-bottom assessment that looks at:

- Staff training and program knowledge (including lobby and call center)
- Disclosures
- Consistency in communication
- Compliance with regulatory rules and best practices
- Financial education resources
- Appropriate fee amounts
- Program components including de minimis, daily caps, grace periods, low-balance alerts, etc.

Optimize program results with proven resources

If strained resources and other projects currently consume all your team's focus and attention, it may be time to lean on an outside expert to ensure your overdraft program's success. Don't leave program evaluations on the backburner and risk getting burned. A professional overdraft program consultant can ease the burden of periodic program reviews and make sure your overdraft program is optimized in every way.

About JMFA

JMFA is one of the most trusted names in the industry. Whether it's recovering lost revenue, uncovering new savings with vendor contract negotiations, creating more value, serving account holders better or delivering a 100% compliant overdraft service—JMFA can help you deliver measurable results with proven solutions. To learn more please visit www.JMFA.com or call (800) 809-2307.

Continued from page 9

hundreds of families along the field to watch as kids ran around the bases.



Yakima Federal Sponsors Yakima and Pasco Fourth of July Celebrations

Yakima Federal Savings sponsored several events during the Fourth of July holiday, including the Yakima 4th of July Celebration and the Pasco Old Fashioned 4th of July Parade.

In Yakima, the celebration included a five-hour Battle of the Banks concert, followed by a 20-minute firework display. Over 20,000 people turned out for the signature annual event.

In Pasco, the bank participated in the annual parade nearly two miles long and winding through downtown Pasco. Penny Piggybank took the lead, led by Kennewick branch manager Tony Mayorga and "Penny's Posse" of Alexa Alencaster, Jackie Porras, Juanita Salsbury, and Amber Holland.



U.S. Bank Volunteers at Imagine Children's Museum

Seattle U.S. Bank team members volunteered at Imagine Children's Museum in July.

The team spent a Saturday morning working with the museum.



Cashmere Valley Bank Supports Life Support Auction

The Cashmere Valley Bank Cle Elum team participated in the annual Life Support Auction, held at Swiftwater in mid-July.

Life Support is a volunteer organization dedicated to raising necessary funds to strengthen Emergency Medical Services for Upper Kittitas County.

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tract'. A non-fungible token may be compared to your house Deed. Nearly every transaction made in your everyday life can be hosted on a blockchain.

What makes a crypto asset a security versus a commodity versus fiat currency?

A 'security' represents an investment in a common enterprise with the expectation of profit solely on the efforts of others ("solely" is removed in actual practice). A crypto asset that is offered to raise capital for a start-up would likely be classified as a 'security'.

Crypto assets generally fall into the classification of a commodity. A commodity is a resource that is nearly identical in all its instances and has a commonly known value, such as wheat. Financial commodities include identical (or nearly identical) futures and options contracts that have commonly known values.

For the purposes of classifying crypto assets, 'fiat' is defined as the 'lawful money' of the United States. In other words, a currency that represents the debts of the government. You can't pay your taxes in wheat, for example, but you can use U.S. dollars. A Central Bank Digital Currency (CBDC) would be classified as fiat currency.

A S.W.O.T analysis considers your internal strengths and weaknesses and external opportunities and threats. This template offers baseline considerations to review the risks and opportunities associated with the emerging crypto regulatory scheme.

Strengths & Weaknesses

- o **Management.** The Board and senior managers of the bank have a clear understanding of the existing regulatory parameters surrounding crypto assets, are knowledgeable about the applicability of those rules to bank offerings, maintain an awareness of emerging changes, and have a system in place to update the bank's operations quickly and efficiently to comply.

- o **Internal Controls.** The bank's internal controls are built-out and appropriately monitored and tested to manage the increased credit, liquidity, and transaction risks associated with crypto asset custody, transactions, loans, issuance, and holdings. The bank stress tests contagion risks and enhances areas of identified deficiencies. The bank has consistent margin call triggers, procedures, and communication channels, where applicable. Evaluations of crypto assets as collateral are reviewed for fair lending purposes.

- o **Personnel.** Bank personnel are properly trained to understand and communicate the products and services offered to customers, are aware of and can appropriately mitigate the related risks, the number of assigned personnel is appropriate for the associated risks, and enough redundancy is built into roles to prevent any system failures that may result from termination of key personnel. Vendors undergo a risk-based due diligence review before business begins, and periodically thereafter.

- o **Technology.** The hardware and software used to transact, secure, and maintain crypto assets are well-maintained and secure. External auditors are used to test and verify. The bank has a consistent and safe procedure for securing crypto collateral.

- o **Insurance.** The bank maintains appropriate levels of insurance related to all facets of crypto asset products and services.

- o **Products.** The bank can market and advertise crypto asset products and services in a manner consistent with existing laws and regulations, and an eye for fair lending and UDAAP risks. It has reviewed existing non-crypto products and services, identified the potential impacts, and updated those growth strategies to account for the internally driven competition.

Opportunities & Threats

- o **Management.** The Board and senior managers of the bank can readily identify risks and opportunities presented by the lack of crypto asset laws and regulations.

- o **Personnel.** Personnel are excited to join a bank that offers roles in the crypto asset space; however, this area may also come with increased competition for bank personnel who maintain desirable skills in a new field.

- o **Technology.** Rapid advances in technology offer opportunities to quickly adopt and roll-out new product offerings and services; however, the maintenance and security of aging software and hardware suffer, and investments in new technology depreciate quickly.

- o **Competition.** The bank is an early adopter of crypto products and services but may now lack resources to act upon new trends, technology, and opportunities.

- o **Reputation.** The bank is well-posed to trigger crisis management plans, maintains open channels of communication with relevant stakeholders, and has identified and mitigated risks associated with crypto asset environmental risk factors.

- o **Legal & Compliance.** The bank's compliance management system and risk management program appropriately identify and control crypto asset risks, including the emerging regulatory scheme, and potential for increased litigation.

Conclusion

Given what little we know about the future legal and regulatory landscape of cryptocurrency, a comprehensive and bank-specific SWOT analysis may offer some comfort in the uncertainty. Take some time to discuss your bank's crypto posture with your internal and external stakeholders and analyze the relevant strengths, weaknesses, opportunities, and threats for your bank. Continue getting involved in the discussions surrounding the proposed laws and regulations. And take this opportunity to enhance your risk management program and Compliance Management System to monitor and respond to the crypto regulatory crackdown we all know is coming.

Theodore Kelly serves as Associate General Counsel for Compliance Alliance. Theo's professional pursuits include competently guiding business leaders in all matters of regulatory compliance, learning and sharing ways in which blockchain technology can positively impact business operations, and writing publications related to emerging technologies in the legal, risk, and compliance spaces. For B/A, he will be writing monthly for our various publications, including ACCESS magazine."



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